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FISCAL IMPACT STATEMENT

LS 7488

BILL NUMBER: HB 1518

NOTE PREPARED: Jan 9, 2005

BILL AMENDED:

SUBJECT: Telecommunications Regulatory Reform.

FIRST AUTHOR: Rep. Murphy

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill specifies that a person or an entity that transmits communications over the Internet is not a public utility subject to the regulation of the Utility Regulatory Commission (IURC). It prohibits the IURC from exercising jurisdiction over: (1) advanced and broadband services; and (2) information services. After June 30, 2007, the bill prohibits the IURC from exercising jurisdiction over: (1) any nonbasic telecommunications service; and (2) pricing, terms, and conditions for basic telecommunications service.

The bill also requires the IURC to biennially identify and eliminate telecommunications regulations no longer necessary due to advances in technology and competition. It provides that a provider's rates for intrastate switched and special access service are just and reasonable if they mirror the provider's interstate rates. The bill specifies that duties to provide dual party relay services for the hearing and speech impaired apply to providers of advanced, broadband, and other Internet services. It specifies the rights and obligations of providers of last resort, exiting providers, and successor providers. The bill also repeals existing alternative regulatory procedures.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill removes entities that transmit communications over the Internet from the definition of a public utility. It also prohibits the IURC from exercising jurisdiction over any nonbasic telecommunications services and the pricing, terms, and conditions for basic telecommunications service. Removing these responsibilities from the IURC should reduce the agency's administrative burden. Because the Commission's responsibilities encompass all utility types, it is unknown what proportion of the Commission's spending is related to telecommunications.

Explanation of State Revenues: *Public Utility Fund:* The operating budgets of the IURC and the Office of the Utility Consumer Counselor (OUCC) are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2004, fees from the utilities and fines generated approximately \$10.6M.

This bill removes entities that transmit communications over the Internet from the definition of a public utility. Therefore, these entities will no longer be required to pay the Public Utility Fee. Revenue to the Public Utility Fund will not decrease, however. Because the Commission bases its Public Utility Fee on the gross revenue of public utilities, the rate will increase for the remaining public utilities to create a fee that will generate the necessary amount of revenue.

Rates & Charges: Telecommunications carriers providing basic telecommunications will no longer be subject to the Commission's approval for setting rates and charges for service. Such services are subject to the state Sales Tax. Revenues generated by telecommunications carriers' services may increase or decrease subject to fluctuation in the carriers' rates and charges. State Sales Tax revenue is deposited in the following funds: General Fund, Property Tax Replacement Fund, Public Mass Transportation Fund, Industrial Rail Service Fund, and the Commuter Rail Service Fund.

Explanation of Local Expenditures: Municipal utilities are not subject to the Public Utility Fee.

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission.

Local Agencies Affected:

Information Sources: Indiana Utility Regulatory Commission.

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